

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

RATE ADJUSTMENT OF SOUTH)
KENTUCKY RURAL ELECTRIC) CASE NO. 8930
COOPERATIVE CORPORATION)

O R D E R

IT IS ORDERED that South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") shall file an original and eight copies of the following information with the Commission, with a copy to all parties of record by January 25, 1984. Each copy of the data requested should be placed in a bound volume with each item tabbed. Where a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Careful attention should be given to copied material to insure that it is legible. South Kentucky shall furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Provide an explanation of the derivation of the rate per CATV pole attachment used to determine the pro forma level of revenue from joint pole attachments in adjustment number 3.

2. Provide a more complete explanation of the longevity increases granted by South Kentucky and referred to in adjustment number 5. Provide a schedule showing the increases granted and the number of years of service required for the increase.

3. Provide a detailed analysis of all benefits provided to employees of South Kentucky including the itemized cost of each benefit and the average annual cost of benefits per employee. Provide this data by employee classification.

4. South Kentucky has requested net operating income of \$2,317,283, provide an explanation of the basis for the revenue requirements (TIER, Rate of Return, etc.)

5. In its Order of October 24, 1983, in Case No. 8778, Adjustment of Rates of Salt River Rural Electric Cooperative Corporation, the Commission stated that it is reconsidering its policy of allowing, for rate-making purposes, the interest on debt drawn down after the end of the test year and that any utility requesting such treatment of interest expense will have to prove the necessity of such treatment. Provide a detailed explanation of why South Kentucky should be allowed such treatment without any recognition of the additional revenues and expenses associated with the facilities constructed with these additional funds.

6. It is stated in adjustment 10 that South Kentucky has made certain changes to its pension program, one of which is the

addition of a cost of living adjustment to the present retirement income level. Provide the following concerning this change:

a) The major factors influencing the decision to add a cost of living adjustment.

b) The calculations used to determine the \$150,319 cost of the adjustment.

c) The reasons behind the proposal to amortize the cost over a 10-year period versus some other period.

7. South Kentucky, in adjustment 12 has proposed an expense reduction of \$64,972 related to the installation of an in-house computer system. Provide the calculations and assumptions used to estimate the expense adjustment.

8. Provide an explanation of the basis for using a 5-year amortization period for the costs associated with the action brought against the utility and the consultant expense related to the installation of the computer as mentioned in adjustments 16 and 17.

9. Adjustment 18 which is related to the amortization of expenses in connection with a legal action against South Kentucky include \$16,060 paid during the 13-month period preceding the test period. Provide a complete explanation of how this item relates to the legal action during the test period and why the Commission should include this out of the test-period expense.

10. Provide a brief explanation of the change in account 391 - Office Furniture and Equipment between the test year and the preceeding 12-month period.

11. Provide a thorough explanation of the incentive awards granted to the salaried employees during the test year. Include the standards necessary to be met in order to receive a reward, the calculation of the award the savings effected by the three employees who received awards during the test year.

12. Provide an explanation of why the 12-month period ended April 30, 1983 was used as the test year in this case.

13. Provide an itemized listing of the costs incurred to date for the preparation of this case and an itemized estimate of the total cost to be incurred for this case. Indicate any costs incurred for this case that occurred during the test year. Include the account charged for each amount and a complete narrative explanation of the services provided for the hours billed by each firm or individual rendering services in connection with this case.

14. Provide a copy of the notice from CFC of the change in interest rate of CFC note 9006 on March 1, 1983.

15. Explain the methodology used to allocate the revenue increase to rate and charges of the large power rate class.

16. Does South Kentucky follow the depreciation rates and procedures as described in REA Bulletin 183-1?

17. Provide information for plotting the depreciation guidelines curves in accordance with REA Bulletin 183-1. Furnish the data in the format shown on the attached Format No. 17.

18. Does South Kentucky propose any changes in depreciation rates?

Done at Frankfort, Kentucky, this 12th day of January, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

South Kentucky RECC
Case No. 8930

DATA FOR
DEPRECIATION GUIDELINE CURVE
REA BULLETIN 183-1

FORMAT 17

| <u>Year Ended December 31,</u> | <u>Distribution Plant in Service (1)</u> | <u>Accumulated Provision for Depreciation Distribution Plant (2)</u> | <u>Reserve Ratio (3) = (2) ÷ (1)</u> | <u>Ratio of Current Distribution Plant to Distribution Plant Ten Years Prior</u> |
|------------------------------------|--|--|--|--|
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| 1981 | | | | 1981 |
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South Kentucky REOC
Case No. 8930

FORMAT 17

DATA FOR
DEPRECIATION GUIDELINE CURVE
REA BULLETIN 183-1

| <u>Year Ended December 31,</u> | <u>Distribution Plant in Service (1)</u> | <u>Accumulated Provision for Depreciation Distribution Plant (2)</u> | <u>Reserve Ratio (3)=(2)÷(1)</u> | <u>Ratio of Current Distribution Plant to Distribution Plant Ten Years Prior</u> |
|------------------------------------|--|--|--|--|
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